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4 UNITED STATES DISTRICT COURT  
5 WESTERN DISTRICT OF WASHINGTON  
6 AT SEATTLE

7 IRONBURG INVENTIONS LTD.,

8 Plaintiff,

9 v.

10 VALVE CORPORATION,

11 Defendant.

C17-1182 TSZ

ORDER

12 THIS MATTER comes before the Court on (i) plaintiff's motion regarding inter  
13 partes review estoppel, docket no. 260, and (ii) plaintiff's motion for partial summary  
14 judgment concerning inequitable conduct, docket no. 258. Having reviewed all papers  
15 filed in support of, and in opposition to, the motions, the Court enters the following order.

16 **Background**

17 Plaintiff Ironburg Inventions Ltd. ("Ironburg"), a limited company based in the  
18 United Kingdom, and defendant Valve Corporation ("Valve"), a Washington corporation,  
19 compete in the video-game controller market. *See* Order at 1 (docket no. 116). Ironburg  
20 licenses its patents to Scuf Gaming International, LLC and Microsoft Corporation.  
21 2d Am. Compl. at ¶ 11 (docket no. 44). Valve produces a device known as the "Steam  
22 Controller." *Id.* at ¶ 12. Ironburg alleges that Valve's Steam Controller infringes four  
23 patents, namely United States Patent No. 8,641,525 (the "'525 Patent"), United States

1 Patent No. 9,089,770 (the “’770 Patent”), United States Patent No. 9,289,688 (the “’688  
2 Patent”), and United States Patent No. 9,352,229 (the “’229 Patent”). Id. at Counts I-IV.  
3 In light of related matters pending before the United States Patent and Trademark Office  
4 (“PTO”) Patent Trial and Appeal Board (“PTAB”), Ironburg’s claims concerning the  
5 ’688 and ’229 Patents have been stayed. See Minute Order at ¶ 2(b) (docket no. 148).  
6 The pending motions and this Order relate to the ’525 and ’770 Patents (the “patents-in-  
7 suit”).

8         This litigation commenced in the Northern District of Georgia in December 2015.<sup>1</sup>  
9 See Compl. (docket no. 1). Sometime thereafter, Valve requested inter partes review  
10 (“IPR”) by the PTAB of all twenty claims in the ’525 Patent and all twenty claims in the  
11 ’770 Patent. See Exs. C & D to Becker Decl. (docket nos. 262-3 & 262-4). The PTAB  
12 instituted inter partes review on most, but not all, of the grounds set forth in Valve’s IPR  
13 petitions. See Exs. E & F to Becker Decl. (docket nos. 262-5 & 262-6). In September  
14 2017, the PTAB issued its final written decisions in the related IPR proceedings. Exs. K  
15 & L to Becker Decl. (docket nos. 262-11 & 262-12). In July 2019, the United States  
16 Court of Appeals for the Federal Circuit affirmed the PTAB’s rulings. Ex. A to Joint  
17 Status Report (docket no. 302-1). Ironburg and Valve dispute the extent to which the  
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21 <sup>1</sup> In June 2017, after the United States Supreme Court held, in *TC Heartland LLC v. Kraft Foods*  
22 *Group Brands LLC*, 137 S. Ct. 1514 (2017), that a domestic corporation “resides” only in the  
23 state of its incorporation for purposes of the patent venue statute, Valve sought to transfer this  
action to this district. See Order (docket no. 116). Valve’s motion was granted in August 2017.  
Id.

PTAB's conclusions preclude Valve from challenging the validity of the patent claims remaining in this matter.

**A. IPR Proceedings**

In September 2016, when the PTAB instituted the IPR proceedings at issue, the United States Supreme Court had not yet decided SAS Inst. Inc. v. Iancu, 138 S. Ct. 1348 (2018), which invalidated the PTAB's former practice of instituting inter partes review as to less than all of the claims in the IPR petition. Consistent with its earlier protocol, the PTAB instituted inter partes review concerning the '525 and '770 Patents with regard to less than all of the claims and less than all of the prior art references cited in Valve's IPR petition. The following table summarizes the claims and prior art references as to which the related IPR proceedings, IPR2016-00948 and IPR2016-00949, were instituted.

Table 1: Grounds Addressed in IPR Proceedings		
Patent	Claims	Prior Art References
'525 Patent IPR2016-00948	1, 6, 13, 14, 16, 17, 19, and 20	Tosaki <sup>2</sup>
	1-11, 13, 16, 17, and 20	Enright <sup>3</sup> and Tosaki
	18	Enright, Tosaki, and Oelsch <sup>4</sup>
'770 Patent IPR2016-00949	1, 3-12, 15-17, 19, and 20	Tosaki
	1-12 and 14-20	Enright and Tosaki

See Exs. E & F to Becker Decl. (docket nos. 262-5 & 262-6).

In IPR2016-00948, the PTAB concluded that Claims 1, 6, 13, 14, 16, 17, 19, and 20 of the '525 Patent were anticipated by Tosaki and that Claim 20 of the '525 Patent

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<sup>2</sup> United States Patent No. 5,989,123 issued to Kenji Tosaki and Masanori Kudou.

<sup>3</sup> United States Patent Application Publication No. 2010/0073283 A1 filed by Robert Enright.

<sup>4</sup> United States Patent No. 4,032,728 issued to Jurgen Oelsch.

was obvious over Enright and Tosaki. Ex. K to Becker Decl. (docket no. 262-11). In IPR2016-00949, the PTAB determined that Claims 1, 3-12, 15-17, 19, and 20 of the '770 Patent were anticipated by Tosaki and that Claims 1-12, 15-18, and 20 of the '770 Patent were obvious over Enright. Ex. L to Becker Decl. (docket no. 262-12). The PTAB rejected Valve's other invalidity contentions, including its reliance on Oelsch in combination with Enright and Tosaki. See Exs. K & L to Becker Decl. The claims surviving inter partes review and still pending in this matter are Claims 2-5, 7-12, 15, and 18 of the '525 Patent and Claims 13 and 14 of the '770 Patent, all of which are dependent claims.

With regard to these remaining patent claims, Valve had sought inter partes review in reliance on the following prior art references:

<b>Table 2: Grounds Rejected by PTAB</b>		
<b>Patent</b>	<b>Claims</b>	<b>Prior Art References</b>
<b>'525 Patent</b>	15	Enright, Tosaki, and Ono <sup>5</sup>
	2, 4, 5, 7, 8, 12, and 15	Tosaki and Jimakos <sup>6</sup>
<b>'770 Patent</b>	13	Enright, Tosaki, and Ono
	13 and 14	Tosaki and Jimakos

See Exs. C and D to Becker Decl. (docket nos. 262-3 & 262-4). The PTAB concluded, however, that Valve had not demonstrated a "reasonable likelihood" of prevailing on its contentions that the claims listed in Table 2 are unpatentable as obvious over the prior art references identified. See Exs. E and F to Becker Decl. (docket nos. 262-5 & 262-6). In

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<sup>5</sup> United States Patent Application Publication No. 2001/0025778 A1 filed by Atsushi Ono.

<sup>6</sup> "Rapid Fire Mod for Wireless Xbox 360 Controller, Step by Step Tutorial with Pictures," posts 341-346 by Jimakos Sn (available at <http://forums.xbox-scene.com>).

defending against the infringement allegations in this litigation, Valve continues to rely on the combinations of (i) Enright, Tosaki, and Ono, and (ii) Tosaki and Jimakos (collectively, the “non-instituted grounds”) to challenge the validity of most of the remaining patent claims.

Valve also asserts that the following prior art references, which were not raised in the IPR proceedings (collectively, the “non-petitioned grounds”), render most of the remaining patent claims obvious:

Table 3: Grounds Not Raised in IPR Petitions		
Patent	Claims	Prior Art References
'525 Patent	2-3, 5, 9-11, and 18	Kotkin <sup>7</sup>
	2, 4, 5, and 7-11	Willner, <sup>8</sup> Koji, <sup>9</sup> and Raymond <sup>10</sup>
'770 Patent	13 and 14	Willner and Koji

*See* Def.’s Resp. at 1 (docket no. 276).<sup>11</sup> In its motion regarding IPR estoppel, Ironburg contends that Valve should be estopped from pursuing invalidity defenses on the grounds set forth in Tables 2 and 3, the non-instituted grounds and the non-petitioned grounds, respectively.

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<sup>7</sup> United States Patent Application Publication No. 2010/0298053 A1 filed by David Kotkin.

<sup>8</sup> United States Patent No. 6,760,013 B2 issued to Michael Willner and Scott Arnel.

<sup>9</sup> Japanese Patent Application No. JP-A H10-020951 filed by Tsuchiya Koji.

<sup>10</sup> United States Patent No. 5,773,769 issued to Christopher Raymond.

<sup>11</sup> Valve argues that, in addition to the patent claims enumerated in Table 3, certain patent claims already invalidated by the PTAB are obvious in light of (i) Kotkin or the combinations of either (ii) Willner, Koji, and Raymond, or (iii) Willner and Koji. The Court need not address this assertion because such invalidated patent claims are longer at issue in this lawsuit.

1 **B. Accusation of Inequitable Conduct**

2 In its separate motion for partial summary judgment, Ironburg seeks to prevent  
3 Valve from asserting inequitable conduct as an affirmative defense or counterclaim. In  
4 answering Ironburg's Second Amended Complaint, docket no. 44, Valve alleged that,  
5 during the prosecution of the '525 and '770 Patents, Ironburg failed to disclose a prior art  
6 reference, namely website posts titled "Rapid Fire Mod for Wireless Xbox 360  
7 Controller, Step by Step Tutorial with Pictures," which Valve has denominated as the  
8 "Mod document," but which the PTAB abbreviated as "Jimakos" in connection with  
9 Valve's IPR petitions. See Def.'s Answer, Affirmative Defenses & Counterclaims at  
10 ¶¶ 59-98 (docket no. 49); see also Exs. E (at 17 n.5) & F (at 11 n.3) to Becker Decl.  
11 (docket nos. 262-5 & 262-6).

12 Valve's fifth affirmative defense and ninth (declaratory judgment) counterclaim  
13 rely solely on Jimakos (or the Mod document) as a basis to deem the '525 and '770  
14 Patents unenforceable as a result of inequitable conduct committed before the PTO  
15 during the patent application process.<sup>12</sup> In moving to strike the affirmative defense and  
16 dismiss the counterclaim, Ironburg contends that Jimakos does not have the requisite  
17 "materiality" to support a finding of inequitable conduct, citing the PTAB's refusal to  
18 institute inter partes review as to the combination of Tosaki and Jimakos. Ironburg also  
19 asserts that Jimakos was, in fact, disclosed to the patent examiner.

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21 <sup>12</sup> Before this case was transferred from the Northern District of Georgia, the Honorable Thomas  
22 W. Thrash, Jr. denied, without explanation, Ironburg's motion to strike both Valve's affirmative  
23 defense and its counterclaim premised on inequitable conduct. Order (docket no. 67). Valve  
makes no argument that this earlier ruling bars the current motion for partial summary judgment.

1 **Discussion**

2 **A. Inter Partes Review Estoppel**

3 The Supreme Court’s decision in SAS significantly altered the jurisprudential  
4 landscape with regard to IPR estoppel. Prior to SAS, in interpreting the relevant provision  
5 of the Leahy-Smith America Invents Act,<sup>13</sup> the Federal Circuit held that, when the PTAB  
6 instituted IPR proceedings on some, but not all, grounds set forth in an IPR petition,  
7 estoppel did not attach to the grounds on which the PTAB declined to institute inter  
8 partes review. See Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc., 817 F.3d 1293,  
9 1300 (Fed. Cir. 2016). Since SAS was issued, other district courts have addressed the  
10 continued viability of Shaw in two contexts, namely with respect to (i) “non-instituted”  
11 grounds, *i.e.*, grounds contained in the IPR petition that did not survive the PTAB’s  
12 former triage process, and (ii) “non-petitioned” grounds, *i.e.*, grounds not raised in the  
13 IPR petition. See Trustees of Columbia Univ. v. Symantec Corp., 390 F. Supp. 3d 665  
14 (E.D. Va. 2019) (involving only non-petitioned grounds); Palomar Techs., Inc. v. MRSI  
15 Sys., LLC, 373 F. Supp. 3d 322 (D. Mass. 2019) (involving non-petitioned grounds);  
16 Am. Tech. Ceramics Corp. v. Presidio Components, Inc., 2019 WL 365709 (E.D.N.Y.

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18 <sup>13</sup> The statute at issue reads:

19 The petitioner in an inter partes review of a claim in a patent under this chapter  
20 that results in a final written decision under section 318(a), or the real party in  
21 interest or privy of the petitioner, may not assert either in a civil action arising in  
22 whole or in part under section 1338 of title 28 or in a proceeding before the  
International Trade Commission under section 337 of the Tariff Act of 1930 that  
the claim is invalid on any ground that the petitioner raised or reasonably could  
have raised during that inter partes review.

23 35 U.S.C. § 315(e)(2).

Jan. 30, 2019) (involving non-petitioned grounds); Cal. Inst. of Tech. v. Broadcom Ltd., 2018 WL 7456042 (C.D. Cal. Dec. 28, 2018) (involving both non-instituted and non-petitioned grounds); SiOnyx, LLC v. Hamamatsu Photonics K.K., 330 F. Supp. 3d 574 (D. Mass. 2018) (involving both non-instituted and non-petitioned grounds).

In this matter, Valve asserts that the remaining claims of the patents-in-suit are invalid on the basis of non-instituted and/or non-petitioned grounds. With regard to the non-instituted grounds, Ironburg seeks to preclude Valve from relitigating the PTAB's decision that such invalidity defenses lack merit. As to the non-petitioned grounds, Ironburg argues that Valve should be estopped from raising such challenges in this litigation because it could have but failed to do so in the prior IPR proceedings. The Court agrees with Ironburg with respect to both categories of invalidity contentions.

### **1. Non-Instituted Grounds**

To rule on Ironburg's motion for IPR estoppel with respect to non-instituted grounds, the Court must analyze the legal effect of the PTAB's pre-SAS institution of IPR proceedings on some, but not all, grounds stated in the IPR petition. In SiOnyx, a case with a procedural posture similar to the one here, the district court concluded that § 315(e)(2) estoppel applied to the non-instituted grounds. See 330 F. Supp. 3d at 601. Like Valve in this case, the IPR petitioner in SiOnyx, Hamamatsu Corporation, had the opportunity to but did not request any SAS-based relief. See id. at 601 & n.18; see also Google LLC v. Lee, 759 Fed. App'x 998 (Fed. Cir. 2019) (remanding to the PTAB to address non-instituted grounds). The SiOnyx Court ruled that, because Hamamatsu Corporation "reasonably could have raised" the non-instituted grounds by seeking a



1 post-SAS remand to the PTAB, but failed to do so, it was estopped from further pursuing  
2 those contentions. 330 F. Supp. 3d at 601.

3 The Court is persuaded that SiOnyx reached the correct result. See also Cal. Inst.  
4 of Tech., 2018 WL 7456042 at \*8. The Court is aware that two previous district court  
5 cases determined, in light of Shaw, that § 315(e)(2) estoppel did not attach to non-  
6 instituted grounds, but both of those opinions were issued before SAS. See Milwaukee  
7 Elec. Tool Corp. v. Snap-On Inc., 271 F. Supp. 3d 990 (E.D. Wis. 2017); Oil-Dri Corp.  
8 of Am. v. Nestlé Purina Petcare Co., 2017 WL 3278915 (N.D. Ill. Aug. 2, 2017). SAS  
9 rendered unnecessary the adherence to Shaw that formed the basis of the decisions in  
10 Milwaukee Electric and Oil-Dri. See Cal. Inst. of Tech., 2018 WL 7456042 at \*7  
11 (observing that “the factual circumstances encountered by Shaw . . . are unlikely to arise  
12 again”).

13 The Court concludes that § 315(e)(2) bars Valve from relitigating “any ground . . .  
14 raised” during inter partes review, including grounds that the PTAB declined to include  
15 in the IPR proceeding and as to which Valve did not seek a remand pursuant to SAS.  
16 This ruling is consistent with the Federal Circuit’s view that a partial IPR institution error  
17 on the part of the PTAB is waivable. See PGS Geophysical AS v. Iancu, 891 F.3d 1354,  
18 1362 (Fed. Cir. 2018). In PGS Geophysical, the Federal Circuit made clear that it will  
19 not sua sponte take notice of such “ultra vires” acts by the PTAB or remand to the PTAB  
20 in the absence of an explicit SAS challenge, citing the private and public interests in  
21 securing a decision on the patentability issues presented on appeal to the Federal Circuit,  
22 as well as the principles of finality and judicial expediency. Id. at 1362-63. Because  
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1 Valve had the opportunity to, but did not, seek a remand to the PTAB for it to further  
2 consider the non-instituted grounds at issue, which are enumerated in Table 2, Ironburg's  
3 motion for IPR estoppel is GRANTED with respect to such grounds.

## 4       **2. Non-Petitioned Grounds**

5       As to the invalidity contentions that Valve raises in this litigation, but never  
6 presented to the PTAB, *i.e.*, the non-petitioned grounds listed in Table 3, the parties do  
7 not quarrel over the applicable standard for IPR estoppel, but they disagree concerning  
8 whether the test has been met. Section 315(e)(2) precludes, in a subsequent civil action,  
9 an invalidity contention premised on any ground that the petitioner "reasonably could  
10 have raised" during inter partes review. 35 U.S.C. § 315(e)(2). The statutory language  
11 has been interpreted to include any patent or printed publication about which a petitioner  
12 actually knew or that "a skilled searcher conducting a diligent search reasonably could  
13 have been expected to discover." *SiOnyx*, 330 F. Supp. 3d at 602 (quoting 157 CONG.  
14 REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl)); *see also Cal. Inst. of Tech.*,  
15 2018 WL 7456042 at \*8; *Milwaukee Elec.*, 271 F. Supp. 3d at 1029-30. The question  
16 before the Court is whether a "skilled searcher" could have been reasonably expected to  
17 find the prior art references identified in Table 3, namely Willner, Kotkin, Koji, and  
18 Raymond.

19       None of the references at issue are of recent vintage. Willner was available in  
20 2004, Kotkin was published in 1999, and Koji and Raymond were both accessible by  
21 1998. *See Collective Minds Gaming Co. v. Ironburg Inventions Ltd.*, 2018 WL 2938858  
22 at \*2 nn.1-4 (PTAB June 7, 2018) (regarding '525 Patent); *Collective Minds Gaming Co.*

1 v. Ironburg Inventions Ltd., 2018 WL 2939036 at \*2 nn.1-3 (PTAB June 7, 2018)  
2 (regarding '770 Patent).

3       Sometime prior to June 2018, another IPR petitioner, namely Collective Minds  
4 Gaming Co. Ltd. (“Collective Minds”), cited each of these references to the PTAB as a  
5 ground, either alone or in combination, for declaring unpatentable the exact same patent  
6 claims identified in Table 3. Id. The PTAB instituted the inter partes review requested  
7 by Collective Minds<sup>14</sup> while the appeal concerning the inter partes review initiated by  
8 Valve was still pending in the Federal Circuit. Ironburg contends that the IPR petitions  
9 filed by Collective Minds demonstrate that, not only could a skilled searcher be  
10 reasonably expected to discover the documents at issue, but in fact, a diligent search  
11 revealed them during roughly the same timeframe.

12       In response, Valve makes no attempt to argue that the reference denominated as  
13 Willner was not actually known, or was undiscoverable via a diligent search, at the time  
14 Valve filed its IPR petitions. Indeed, any such assertion would lack credibility because  
15 Willner was cited by the patent examiner on the face sheets of both patents-in-suit. See  
16 '525 Patent at 2 (docket no. 44-1); '770 Patent at 2 (docket no. 44-2). Two of the three  
17 non-petitioned grounds that Valve seeks to pursue in this matter rely on Willner in  
18 combination with other references, and Valve offers no argument that, in the absence of  
19 Willner, the other prior art renders the claims at issue unpatentable.

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22 <sup>14</sup> Collective Minds and Ironburg eventually settled, and their IPR proceedings were terminated.  
23 Collective Minds Gaming Co. v. Ironburg Inventions, Ltd., 2018 WL 6624854 (PTAB Dec. 14, 2018).

1 Valve contends merely that whether Kotkin, Koji, and Raymond could have been  
2 found by a skilled searcher constitutes a question of fact, citing SiOnyx. SiOnyx,  
3 however, is distinguishable. In SiOnyx, the patent owner, which bore the burden of  
4 showing that IPR estoppel applied, had presented no factual evidence indicating that a  
5 diligent search would have revealed the prior art reference at issue. 330 F. Supp. 3d at  
6 602-03. The SiOnyx Court wanted to see the “search string and search source that would  
7 identify” the reference and “evidence, likely expert testimony, why such a criterion  
8 would be part of a skilled searcher’s diligent search.” Id. at 603 (quoting Clearlamp,  
9 LLC v. LKQ Corp., 2016 WL 4734389 at \*9 (N.D. Ill. Mar. 18, 2016)). As made clear by  
10 the SiOnyx and Clearlamp Courts, this type of evidence is just one method of establishing  
11 what a diligent search would have revealed. In this matter, Ironburg has taken a different  
12 approach and provided virtually contemporaneous IPR petitions citing the exact prior art  
13 references on which Valve now seeks to rely.

14 In an effort to create a factual dispute, one of Valve’s attorneys, Reynaldo C.  
15 Barceló, has stated under oath that, “[d]espite its reasonably diligent search efforts, Valve  
16 did not discover” Kotkin, Koji, or Raymond before filing its IPR petitions concerning the  
17 ’525 and ’770 Patents, and that “Valve is not aware of how or when Collective Minds . . .  
18 located Kotkin, Koji, or Raymond.” Barceló Decl. at ¶¶ 8-9 (docket no. 277). Neither  
19 Valve’s own failure to discover the references nor its lack of information concerning how  
20 Collective Minds did so raise any dispute of “material” fact. See Anderson v. Liberty  
21 Lobby, Inc., 477 U.S. 242, 248 (1986) (“the substantive law will identify which facts are  
22 material”). What Barceló and Valve have not said is that a “skilled searcher” could not  
23

1 have been “reasonably expected” to find Kotkin, Koji, or Raymond. Having apparently  
2 simply copied the analysis put forward by Collective Minds and not engaged in its own  
3 queries, Valve has offered no evidence concerning the degree of difficulty involved in  
4 locating the prior art references at issue. See id. at 255 & 257 (to survive a dispositive  
5 motion, the adverse party must present “affirmative evidence,” which “is to be believed”  
6 and from which all “justifiable inferences” are to be favorably drawn).

7 Based on this record, the Court concludes, as a matter of law, that (i) Willner was  
8 actually known and/or easily found before Valve petitioned for inter partes review, and  
9 (ii) Kotkin, Koji, and Raymond were, in fact, discovered by another interested party  
10 during the same period when Valve was motivated to learn of such references. The Court  
11 further rules, as a matter of law, that a skilled searcher could have been reasonably  
12 expected to find all of these references, and Valve’s argument that a triable issue exists  
13 on this subject lacks merit. Ironburg’s motion for IPR estoppel is GRANTED with  
14 respect to the non-petitioned grounds set forth in Table 3.

15 **B. Inequitable Conduct**

16 Having determined that Valve’s non-instituted and non-petitioned invalidity  
17 contentions are precluded under § 315(e)(2), the Court turns to Valve’s affirmative  
18 defense and counterclaim asserting that Ironburg cannot enforce any of the remaining  
19 patent claims because it engaged in inequitable conduct in prosecuting the ’525 and  
20 ’770 Patents by withholding from the PTO the prior art known as Jimakos (the Mod  
21 document). See supra note 6 & § B of the Background. Inequitable conduct constitutes  
22 an equitable defense to patent infringement. See Therasense, Inc. v. Becton, Dickinson  
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1 & Co., 649 F.3d 1276, 1285 (Fed. Cir. 2011). The Federal Circuit has described the  
2 remedy for inequitable conduct, which renders the entire patent unenforceable, as the  
3 “atomic bomb” of patent law. Id. at 1288. The taint of a finding of inequitable conduct  
4 as to one patent can spread to other related patents and applications, thereby endangering  
5 a company’s patent portfolio, and it cannot be cured by reissuance or reexamination. Id.  
6 at 1288-89. It can also spawn antitrust and unfair competition claims, provide a basis for  
7 deeming the case “exceptional” and awarding attorney’s fees, and permit a piercing of  
8 the attorney-client privilege on the ground of fraud. Id. at 1289. Given the dire  
9 consequences of a finding of inequitable conduct and prior abuses of the doctrine, the  
10 Federal Circuit in Therasense tightened the standards for proving the defense. See id. at  
11 1290.

12 To establish inequitable conduct, an accused infringer must show by clear and  
13 convincing evidence that the patentee misrepresented or omitted “material” information  
14 with the specific “intent to deceive” the PTO. Id. at 1287. If the accused infringer meets  
15 its burden, then the Court must weigh the equities to determine whether the applicant’s  
16 conduct before the PTO warrants rendering the entire patent unenforceable. Id. Valve’s  
17 accusation of inequitable conduct against Ironburg does not meet these standards.

18 **1. Not Material**

19 In response to Ironburg’s motion for summary judgment, Valve, which bears the  
20 burden of proving inequitable conduct on the part of Ironburg, has not raised a triable  
21 issue concerning whether the prior art alleged to have been withheld from the PTO, i.e.,  
22 Jimakos (the Mod document), is “material.” See Celotex Corp. v. Catrett, 477 U.S. 317,  
23

1 322 (1986) (summary judgment is appropriate “against a party who fails to make a  
2 showing sufficient to establish the existence of an element essential to that party’s case,  
3 and on which that party will bear the burden of proof at trial”). With regard to the  
4 withholding of prior art, the materiality required to prevail on an inequitable conduct  
5 accusation is measured under a “but for” standard. *Therasense*, 649 F.3d at 1291.

6 A reference is “but for” material if the PTO would not have allowed the patent  
7 claim had it been aware of the undisclosed prior art. *Id.* In making this determination,  
8 the Court must apply the preponderance of the evidence standard and give the patent  
9 claims their broadest reasonable construction. *Id.* at 1291-92. The “but for” test of  
10 materiality is more narrow than the definition set forth in PTO Rule 56,<sup>15</sup> and in  
11 considering whether inequitable conduct has occurred, the Court must evaluate whether  
12 the patentee’s behavior “resulted in the unfair benefit of receiving an unwarranted claim.”  
13 *Id.* at 1292, 1293-94. If the patent would have issued anyway, the applicant has obtained  
14 no advantage from omitting the prior art (which would be, by definition, immaterial), and  
15 enforcement of an otherwise valid patent does not injure the public. *Id.* at 1292.

16 In refusing to institute IPR proceedings on Valve’s claim of obviousness in light  
17 of Jimakos in combination with Tosaki,<sup>16</sup> the PTAB explained that “[t]he improvement  
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19 <sup>15</sup> PTO Rule 56 defines “material” information as follows: “(1) It establishes, by itself or in  
20 combination with other information, a prima facie case of unpatentability of a claim; or (2) It  
21 refutes, or is inconsistent with, a position the applicant takes in: (i) Opposing an argument of  
unpatentability relied on by the Office, or (ii) Asserting an argument of patentability.” 37 C.F.R.  
§ 1.56(b).

22 <sup>16</sup> In this action, Valve tries to rely on Jimakos without Tosaki, observing that the PTAB did not  
23 consider whether Jimakos alone rendered any of the patent claims invalid. Valve’s attempt to  
cite Jimakos as a solo reference is barred by IPR estoppel. Valve knew of and cited Jimakos at

disclosed by Jimakos is to add a rapid fire feature.” See Ex. P to Becker Decl. (docket no. 259-16 at 28-29); Ex. Q to Becker Decl. (docket no. 259-17 at 16-17). Valve’s reliance on Jimakos, however, had “nothing to do with [this] rapid fire capability,” and the PTAB concluded Valve had not demonstrated a reasonable likelihood of prevailing on its assertion that certain patent claims were obvious over Tosaki and Jimakos.<sup>17</sup> Id.

Valve persists in its failure to explain how Jimakos’s rapid fire feature is linked to any patentability challenge. In his report, Valve’s expert, Robert Dezmelyk, opines that Jimakos is “material” with regard to “at least” Claim 20 of the ’525 Patent and Claim 1 of the ’770 Patent.<sup>18</sup> See Ex. K to Schafer Decl. (docket no. 279-11 at 18). In expressing this opinion, Dezmelyk does not even once mention the rapid fire improvement that is the core of the invention disclosed by Jimakos. See id. (docket no. 279-11 at 18-35). Instead of addressing the analytic weakness that was identified by the PTAB, Valve argues that the PTAB’s ruling is somehow not relevant or not binding because inequitable conduct and invalidity are “distinct considerations” and, in inter partes review, the PTAB cannot decide charges of inequitable conduct, citing 35 U.S.C. § 311. See Def.’s Resp. at 11 & 14 (docket no. 278). Valve’s contention ignores the substance of the PTAB’s decision,

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the time it petitioned for inter partes review, and it may not now argue that the patent claims are obvious over Jimakos independently, even in the context of an inequitable conduct accusation as opposed to an invalidity contention, because Valve failed to raise such challenge before the PTAB. See 35 U.S.C. § 315(e)(2).

<sup>17</sup> In not seeking a remand from the Federal Circuit to the PTAB when it had the opportunity to do so, Valve waived any argument that the PTAB erred in declining to institute inter partes review as to the combination of Tosaki and Jimakos. See PGS Geophysical, 891 F.3d at 1362.

<sup>18</sup> These claims have already been declared unpatentable by the PTAB on other grounds and are no longer at issue in this lawsuit.



1 which, on the merits, rejected Jimakos (in combination with Tosaki) as a basis for  
2 invalidating various patent claims because Valve had failed to establish the reference's  
3 materiality. Valve has fared no better in response to Ironburg's motion for partial  
4 summary judgment, and the Court concludes, as a matter of law, that Valve cannot carry  
5 its burden at trial of proving that the PTO would not have allowed the patent claims at  
6 issue if Jimakos had been disclosed by Ironburg in the manner that Valve contends was  
7 required.

8 **2. No Intent to Deceive**

9 Moreover, Valve has not shown the requisite intent to deceive. Conduct that is  
10 merely negligent or grossly negligent, satisfying only a "should have known" standard,  
11 does not suffice to prove the requisite intent; rather, clear and convincing evidence must  
12 demonstrate that the patentee "made a deliberate decision to withhold a known material  
13 reference." *Therasense*, 649 F.3d at 1290 (emphasis in original). Intent may not be  
14 inferred solely from the materiality of the reference, and intent is not proven by simply  
15 the absence of a good faith explanation for withholding the prior art. *Id.* at 1290 & 1291.  
16 The Court may, however, infer intent from indirect and circumstantial evidence, so long  
17 as the required specific intent to deceive the PTO is "the single most reasonable inference  
18 able to be drawn from the evidence." *Id.* at 1290. If the evidence supports one or more  
19 other reasonable inferences, then an intent to deceive cannot be found. *Id.* at 1290-91.

20 The record in this matter establishes two key facts relevant to Ironburg's intent.  
21 First, Jimakos (the Mod document) was not identified in either (i) the patent applications,  
22 or (ii) the Information Disclosure Statement filed with the PTO on October 29, 2012, by  
23

1 Stephen Terrell, one of Ironburg's attorneys. See Exs. E & H to Becker Decl. (docket  
2 nos. 259-5 & 259-8); Ex. C to Schafer Decl. (docket no. 279-3); see also Counterclaims  
3 at ¶ 91 (docket no. 49); Answer to Counterclaims at ¶ 91 (docket no. 180). Second, on  
4 August 5, 2013, Terrell filed another Information Disclosure Statement, attached to  
5 which were (i) a copy of Ironburg's application for a patent in the United Kingdom  
6 ("UK"), see Ex. L to Becker Decl. (docket no. 259-12 at 6-13), and (ii) a copy of the  
7 search report generated by the UK patent examiner, id. (docket no. 259-12 at 14-15).<sup>19</sup>  
8 Both the face sheet of the UK patent application and the UK patent examiner's search  
9 report list Jimakos (the Mod document) as prior art. See id. (docket no. 259-12 at 6 &  
10 14).

11 In his deposition, Terrell testified that, sometime before he filed the first  
12 Information Disclosure Statement in October 2012, he had received from John Rule, one  
13 of Ironburg's attorneys in the UK, a portable document format ("PDF") file containing  
14 four references, including Jimakos. See Terrell Dep. at 43:7-60:24, Ex. I to Becker Decl.  
15 (docket no. 259-9). Rule had instructed Terrell to disclose the prior art to the PTO. Id.  
16 At the time, Terrell did not understand that the PDF included more than one reference,  
17 and in the Information Disclosure Statement filed in October 2012, he cited only the first  
18 of the four documents. See id. Terrell has explained that, rather than attaching to the  
19 Information Disclosure Statement a printout of the 59-page PDF, which was difficult to  
20

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21  
22 <sup>19</sup> After the UK patent examiner issued written objections to Ironburg's patent application, see  
23 Ex. D to Becker Decl. (docket no. 259-4), the application was abandoned. See Pla.'s Mot. at 3  
(docket no. 258).

1 read, he provided the Uniform Resource Locator (“URL”) or web address for the first  
2 (and, he thought, only) reference forwarded by Rule. See id. Terrell did not learn of his  
3 error until this litigation. See id. at 60:18-24.

4 Although both the UK patent application and the UK examiner’s search report  
5 appended to the Information Disclosure Statement submitted in August 2013 listed all  
6 four references assembled in the PDF sent by Rule to Terrell sometime before the end of  
7 October 2012, Valve contends that the prior art was never disclosed to the PTO.  
8 According to Valve, a reference other than a patent must be separately listed on an  
9 information disclosure statement (“IDS”), and a copy of the document must be attached  
10 to the IDS, before the prior art will be considered by the PTO. Valve cites 37 C.F.R.  
11 § 1.98(a)(2)(ii)<sup>20</sup> and the Manual of Patent Examining Procedure at § 609.05(a) ¶ 6.49.06  
12 for this proposition, but neither regulation limits the scope of what a patent examiner may  
13 view as prior art.

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16 <sup>20</sup> The regulation on which Valve relies requires that an information disclosure statement include  
17 a “legible copy” of “[e]ach publication or that portion which caused it to be listed [in the IDS],  
18 other than U.S. patents and U.S. patent application publications unless required by the Office.”  
19 37 C.F.R. § 1.98(a)(2)(ii). Another regulation, which was not mentioned by Valve, indicates  
20 that, if an information disclosure statement does not comply with 37 C.F.R. §§ 1.97 and 1.98  
21 (because it is untimely or deficient), “it will be placed in the file but will not be considered by the  
22 Office.” 37 C.F.R. § 1.97(i). Valve makes no argument that Ironburg’s August 2013 IDS was  
23 ignored by the PTO pursuant to § 1.97(i), and the record reflects that the patent examiner did, in  
fact, review the August 2013 IDS, albeit with regard to a subject different from the effect of the  
Jimakos reference, namely whether a device described in an online article titled “Review: Scuf  
Xbox 360 Controller” by Dave Burns constituted prior art. See Ex. M to Becker Decl. (docket  
no. 259-13); see also Ex. E to Becker Decl. (docket no. 259-5 at 20 & 37) (reflecting that, based  
on a declaration by Simon Burgess, a co-inventor who assigned the ’525 and ’770 Patents to  
Ironburg, the patent examiner concluded that the device in the Burns article was a derivation of  
Burgess’s invention and, therefore, not disqualifying prior art).

Moreover, even if imbedding Jimakos in another document attached to an IDS was insufficient to disclose Jimakos as a reference, the August 2013 filing nevertheless contradicts Valve's assertion that Ironburg operated with an intent to deceive the PTO. Rule's intent was clearly otherwise; he wanted and requested Terrell to provide Jimakos (and three other references) to the PTO. *See* Terrell Dep. at 52:22-53:2 & 62:1-13, Ex. I to Becker Decl. (docket no. 259-9). Terrell was, at most, negligent when he submitted the Information Disclosure Statement in October 2012 and did not list each reference contained in, or attach, the PDF forwarded by Rule. The August 2013 Information Disclosure Statement corroborates Terrell's testimony about his inadvertent error; if Terrell had known about Jimakos and intentionally omitted the reference from the October 2012 IDS, he would not have included it in the August 2013 IDS. *See id.* at 122:4-10. Based on this record, the requisite specific intent to deceive is not "the single most reasonable inference able to be drawn from the evidence," *see Therasense*, 649 F.3d at 1290, and the Court concludes, as a matter of law, that Valve cannot meet its burden to prove Ironburg withheld Jimakos (the Mod document) with the intent to deceive the PTO.

### **3. Weight of Equities**

Even if the Court were required to weigh the equities in this matter, it would not, in exercising its discretion, conclude that the supposed misconduct before the PTO warrants rendering the '525 and '770 Patents entirely unenforceable. The harsh remedy sought by Valve is simply not commensurate with the behavior attributed to Ironburg. In drawing this conclusion, the Court takes particular note of the following undisputed facts: (i) the PTAB refused to institute IPR proceedings with respect to the same reference that

Valve asserts Ironburg deceptively withheld from the PTO, and (ii) Jimakos (the Mod document) was actually identified in the materials submitted to the PTO in August 2013.

### **Conclusion**

For the foregoing reasons, the Court ORDERS:

(1) Plaintiff's motion regarding inter partes review estoppel, docket no. 260, is GRANTED, and defendant is precluded from raising at trial invalidity contentions based on the non-instituted and non-petitioned grounds described in Tables 2 and 3;

(2) Plaintiff's motion for partial summary judgment concerning inequitable conduct, docket no. 258, is GRANTED, defendant's fifth affirmative defense relating to inequitable conduct is STRICKEN, and defendant's ninth counterclaim for declaratory judgment on the issue of inequitable conduct is DISMISSED with prejudice;

(3) In light of the Court's ruling on plaintiff's motion for partial summary judgment regarding inequitable conduct, plaintiff's contingent motion, docket no. 294, for the alternative remedy of bifurcating trial, with inequitable conduct being tried separately to the bench after a jury trial on infringement, is STRICKEN as moot;

(4) Based on the record to date, the patent claims remaining in this matter are Claims 2-5, 7-12, 15, and 18 of the '525 Patent and Claims 13 and 14 of the '770 Patent, and the issues left for trial are as follows: (i) plaintiff's first and second claims of infringement, relating to the '525 and '770 Patents, respectively; (ii) plaintiff's request for enhanced damages pursuant to 35 U.S.C. § 284; and (iii) defendant's first, second, third, and fourth counterclaims for declaratory judgment of either invalidity or non-infringement relating to the '525 and '770 Patents;

1 (5) The parties are DIRECTED to meet and confer and to provide a Joint  
2 Status Report within twenty-one (21) days of the date of this Order addressing the  
3 following subjects:

4 (a) whether, in light of the Court's rulings, defendant's first and third  
5 counterclaims seeking declaratory judgments of invalidity as to the '525 and '770  
6 Patents, respectively, should be dismissed with prejudice, and whether defendant's  
7 first affirmative defense asserting invalidity should be stricken in part as to the  
8 '525 and '770 Patents;

9 (b) which of the patent claims remaining in the matter are alleged to be  
10 infringed by defendant's accused device;

11 (c) when will the parties be prepared for trial;

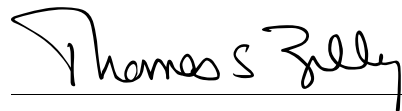
12 (d) how long do the parties anticipate trial will last; and

13 (e) what scheduling conflicts, if any, do the witnesses and counsel have  
14 during the three-month period surrounding the proposed trial date;

15 (6) The Clerk is directed to send a copy of this Order to all counsel of record.

16 IT IS SO ORDERED.

17 Dated this 8th day of November, 2019.

18  
19 

20 Thomas S. Zilly  
21 United States District Judge  
22  
23